

**UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF PUERTO RICO**

In re:
THE FINANCIAL OVERSIGHT AND
MANAGEMENT BOARD FOR PUERTO RICO,

as representative of

THE COMMONWEALTH OF PUERTO RICO, *et al.*,

Debtors.¹

PROMESA
Title III

No. 17 BK 3283-LTS

(Jointly Administered)

**This filing relates to the
Commonwealth.**

**REPLY OF THE COMMONWEALTH OF PUERTO RICO TO RESPONSE
FILED BY HECTOR SANTOS DIAZ [ECF NO. 13668] TO THE
TWO HUNDRED SECOND OMNIBUS OBJECTION (SUBSTANTIVE) OF THE
COMMONWEALTH OF PUERTO RICO TO CLAIMS FOR WHICH THE
COMMONWEALTH OF PUERTO RICO IS NOT LIABLE**

To the Honorable United States District Judge Laura Taylor Swain:

The Commonwealth of Puerto Rico (the “Commonwealth,” or “Debtor”), by and through the Financial Oversight and Management Board for Puerto Rico (the “Oversight Board”), as the sole Title III representative of the Commonwealth pursuant to section 315(b) of the *Puerto Rico*

¹ The Debtors in these Title III Cases, along with each Debtor’s respective Title III case number and the last four (4) digits of each Debtor’s federal tax identification number, as applicable, are the (i) Commonwealth of Puerto Rico (the “Commonwealth”) (Bankruptcy Case No. 17 BK 3283-LTS) (Last Four Digits of Federal Tax ID: 3481); (ii) Puerto Rico Sales Tax Financing Corporation (“COFINA”) (Bankruptcy Case No. 17 BK 3284-LTS) (Last Four Digits of Federal Tax ID: 8474); (iii) Puerto Rico Highways and Transportation Authority (“HTA”) (Bankruptcy Case No. 17 BK 3567-LTS) (Last Four Digits of Federal Tax ID: 3808); (iv) Employees Retirement System of the Government of the Commonwealth of Puerto Rico (“ERS”) (Bankruptcy Case No. 17 BK 3566-LTS) (Last Four Digits of Federal Tax ID: 9686); (v) Puerto Rico Electric Power Authority (“PREPA”) (Bankruptcy Case No. 17 BK 4780-LTS) (Last Four Digits of Federal Tax ID: 3747); and (vi) Puerto Rico Public Buildings Authority (“PBA”, and together with the Commonwealth, COFINA, HTA, ERS, and PREPA, the “Debtors”) (Bankruptcy Case No. 19-BK-5532-LTS) (Last Four Digits of Federal Tax ID: 3801) (Title III case numbers are listed as Bankruptcy Case numbers due to software limitations).

Oversight, Management, and Economic Stability Act (“PROMESA”),² files this reply (the “Reply”) to the response [ECF No. 13668] (the “Response”), filed by claimant Hector Santos Díaz (“Santos Díaz”), to the *Two Hundred Second Omnibus Objection (Substantive) of the Commonwealth of Puerto Rico to Claims for Which the Commonwealth of Puerto Rico is Not Liable* [ECF No. 13409] (the “Two Hundred Second Omnibus Objection”). In support of this Reply, the Commonwealth respectfully represents as follows:

1. On June 11, 2020 the Oversight Board filed the Two Hundred Second Omnibus Objection, seeking to disallow in their entirety certain proofs of claim (collectively, the “Claims to Be Disallowed”), each as listed on Exhibit A thereto, that assert liability based on an ownership interest in bonds issued by the Government Development Bank for Puerto Rico (the “GDB”). As set forth in the Two Hundred Second Omnibus Objection, claims arising from GDB Bonds³ were released and extinguished pursuant to the transactions consummated through the Qualifying Modification for GDB. Two Hundred Second Omnibus Objection ¶ 18. Further, each of the Claims to Be Disallowed (i) provided no explanation for the basis of the claim beyond attaching a bond statement showing ownership of GDB Bonds, *id.* ¶ 19, and (ii) were based on the ownership of GDB Bonds subject to the Qualifying Modification, which provided for the issuance of new securities in exchange for the cancellation of the GDB Bonds and the extinguishment of the Commonwealth’s guarantee of certain GDB Bonds, and thus the Commonwealth is no longer liable for these claims, *id.* ¶¶ 19-20.

² PROMESA is codified at 48 U.S.C. §§ 2101–2241.

³ Capitalized terms not otherwise defined herein shall have the meanings ascribed to them in the Two Hundred Second Omnibus Objection.

2. Any party who disputed the Two Hundred Second Omnibus Objection was required to file a response by 4:00 p.m. (Atlantic Standard Time) on July 14, 2020, in accordance with the Court-approved notice attached to the Two Hundred Second Omnibus Objection as Exhibit C, which was served in English and Spanish on the individual creditors subject to the Two Hundred Second Omnibus Objection, the U.S. Trustee, and the Master Service List (as defined in the *Twelfth Amended Case Management Procedures* [ECF No. 13-1]).

3. On July 14, 2020, Santos Díaz filed the Response. Therein, Santos Díaz does not dispute that his proof of claim, which was filed on February 21, 2018 and logged by Prime Clerk as Proof of Claim No. 1337 (the “Santos Díaz Claim”), asserts liabilities against the Commonwealth arising from a GDB Bond bearing CUSIP number 745177EX9, which, as set forth above, was subject to the Qualifying Modification.⁴ Instead, the Response states Santos Díaz “heard this Court does not have to necessary [*sic*] agree [with all of the Commonwealth’s] arguments” and that “PROMESA was signed by President Obama to help the people of Puerto Rico, against [our] government[’]s bankruptcy,” and on that basis, “beg[ged] for at least part of [Santos Díaz’s] claim back.” Response at 1.

4. The Commonwealth is deeply mindful of the concerns raised by the Response and the impact of these Title III Cases on the citizens of Puerto Rico. However, as set forth in the Two Hundred Second Omnibus Objection, the Santos Díaz Claim seeks recovery for liabilities associated with GDB Bonds, which were released and extinguished pursuant to the transactions consummated through GDB’s Qualifying Modification. As a result, the GDB Bonds no longer represent outstanding liabilities of the Commonwealth, and the Santos Díaz Claim seeks recovery of amounts for which the Commonwealth is not liable.

⁴ <https://emma.msrb.org/Security/Details/A5EF0F23E7BDB13F04630748820A1F220>.

5. For the foregoing reasons, the Commonwealth respectfully requests the Court grant the Two Hundred Second Omnibus Objection and disallow the Santos Díaz Claim, notwithstanding the Response.

Dated: January 4, 2021
San Juan, Puerto Rico

Respectfully submitted,

/s/ Hermann D. Bauer

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